

NEW LONDON COMMUNITY SCHOOL DISTRICT
NEW LONDON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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NEW LONDON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Laurie Hempen	President	2004
Virginia Ekstrand	Vice President	2004
Kelly Kadel	Board Member	2003
Rhonda Mixon	Board Member	2005
Bob McPheron	Board Member (Appointed 6-16-03)	2003
<u>Board of Education</u>		
(After September 2003 Election)		
Laurie Hempen	President	2004
Rhonda Mixon	Vice President	2005
Virginia Ekstrand	Board Member	2004
Kelly Kadel	Board Member	2006
Bob McPheron	Board Member	2006
<u>School Officials</u>		
Robert L. Cardoni	Superintendent	2007
Nancy Blow	District Secretary/Treasurer	2004
Richard J. Gaumer	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, New London Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2004 on our consideration of New London Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New London Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 24, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the New London Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2004. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations. In future years when prior years information is available a comparative analysis of government-wide data will be presented in the Financial Analysis section.

Financial Highlights

- Overall District-wide revenues were \$4,527,301. Overall District-wide expenses exceeded revenues by \$53,881.
- The State of Iowa imposed a 2.5% across the board cut in funding in the middle of the year and reinstated 10% of the 2.5% cut at the end of the year. The District used reserve funds to make up for the cuts in state aid.
- As of June 1, 2004 the New London Community School District is debt free.
- To accommodate the increased number of Kindergartners, the District added a third section and also added a handicapped preschool to meet the educational needs of our student population.
- In September voters approved renewal of the Physical Plant and Equipment Levy at \$.67 for 10 years.
- The District purchased a new school bus and a seven passenger special education van to better meet transportation needs.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-and long-term financial information about the activities the District operates like businesses (such as food service).
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The chart below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the District Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements

The District-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debt) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities.
- **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

The District's total revenues are \$4,527,301. Local property, local option sales and services tax, and income surtaxes contribute 28% (\$1,285,721) of the District's revenue. Unrestricted State Aid contributes 47% (\$2,106,052). Federal and State aid and charges for services for specific programs contribute 23% (\$1,034,088). The remaining 2% (\$101,440) comes from other miscellaneous general revenues including interest.

The District's expenses are predominantly related to providing instruction and care for students. The cost of all programs and services was \$4,581,182. Significant contributing factors were higher costs for salaries, health insurance increases, higher maintenance and operation costs, the purchase of a bus and van, and the addition of educational programs. These factors along with State revenue cuts caused net assets to decrease \$53,881.

Governmental Activities

Revenue for the District governmental activities was \$4,374,507, while total expenses were \$4,421,464. This \$46,957 downturn in District finances can be attributed to a weak economy and lack of the states ability to increase growth in state aid to keep up with increased instructional expenses.

Business-Type Activities

Revenues of the District's business-type activities increased 12% due to an increase in federal funding and participation in the nutrition program. Expenses increased 15% due to increases in salaries, benefits and food costs. Total net assets for business-type activities decreased \$6,924.

Financial Analysis of the District's Funds

The District's only major fund is the General Fund. The General Fund had a net fund balance decrease of 8% (\$78,201). The decrease is attributable to the same reasons as those mentioned in the financial analysis of the District as a whole. The ending fund balance of the General Fund is \$951,442.

The District has been able to maintain a strong financial position because of support of all staff in keeping expenses to a minimum whenever possible. Staff also looks for alternative ways to finance new or special projects through grants or fund raising. Public support through tax levies has allowed the District to keep facilities safe and adequate. The District has been able to weather state cuts, declining enrollment and increases in expenses without cutting programs.

Budgetary Highlights

Over the course of the year, the District did not amend its budget. The original budget was the same as the final budget.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Capital Asset and Debt Administration

Capital Assets

Detailed information for capital assets is shown in note 4 of the financial statements. There was minimal capital asset activity this year with the main additions being a storage building, a bus and a van.

Long-Term Debt

The District paid the final payment on a capital loan note used to replace the middle school roof. The District has no long-term debt.

Factors Bearing on the District's Future

- Henry County is one of 9 out of 99 counties that has not passed a School Infrastructure Local Option tax. Discussion about holding the election to determine if the county will participate in the SILO has begun. If passed the New London Community School District will be able to meet fire code regulations and begin upgrading mechanical systems, predominately plumbing and electrical, in all buildings.
- The District's socio-economic status continues to change. The percentage of free and reduced lunch participants increased 15% this year. In order to meet all the needs of our present student population additional support services and transportation will be needed.

- Industry in the School District area has declined. This has caused a decline in enrollment, which causes a decline in funding. State and federal mandates continue to increase. The District will have to continually fund existing and future programs with fewer dollars.
- The future of the District is hard to predict. In order to be prepared to best serve our students, the New London Community School will continue to look at ways to provide the best education possible with available funds, find new funding streams and share services with other Districts to provide a better education.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 106 Jack Wilson Drive, New London, IA 52645.

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Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,646,413	\$ 8,903	\$ 1,655,316
Receivables:			
Property tax:			
Current year	19,978	-	19,978
Succeeding year	1,042,832	-	1,042,832
Income surtax	143,664	-	143,664
Accrued interest	705	29	734
Accounts	131	-	131
Due from other governments	51,968	-	51,968
Inventories	-	968	968
Capital assets, net of accumulated depreciation (note 4)	1,045,348	7,997	1,053,345
Total assets	3,951,039	17,897	3,968,936
Liabilities			
Accounts payable	16,073	-	16,073
Salaries and benefits payable	385,622	8,296	393,918
Deferred revenue:			
Succeeding year property tax	1,042,832	-	1,042,832
Total liabilities	1,444,527	8,296	1,452,823
Net Assets			
Invested in capital assets	1,045,348	7,997	1,053,345
Restricted for:			
Management levy	18,013	-	18,013
Public education and recreation levy	33,023	-	33,023
Physical plant and equipment levy	144,950	-	144,950
Other special revenue purposes	64,991	-	64,991
Capital projects	74,393	-	74,393
Unrestricted	1,125,794	1,604	1,127,398
Total net assets	\$ 2,506,512	\$ 9,601	\$ 2,516,113

See notes to financial statements.

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NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,251,609	\$ 216,350	\$ 178,578	\$ -
Special instruction	361,024	22,946	86,365	-
Other instruction	368,932	140,809	54,155	-
	<u>2,981,565</u>	<u>380,105</u>	<u>319,098</u>	<u>-</u>
Support services:				
Student services	179,391	-	471	-
Instructional staff services	28,422	-	-	-
Administration services	478,737	25,000	-	-
Operation and maintenance of plant services	345,914	514	-	-
Transportation services	165,596	-	156	-
	<u>1,198,060</u>	<u>25,514</u>	<u>627</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	31,504	-	-	-
Long-term debt interest and fiscal charges	308	-	-	-
AEA flowthrough	156,856	-	156,856	-
Depreciation (unallocated) *	53,171	-	-	-
	<u>241,839</u>	<u>-</u>	<u>156,856</u>	<u>-</u>
Total governmental activities	4,421,464	405,619	476,581	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>159,718</u>	<u>71,002</u>	<u>80,886</u>	<u>-</u>
Total	\$ 4,581,182	\$ 476,621	\$ 557,467	\$ -

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,856,681)	\$ -	\$ (1,856,681)
(251,713)	-	(251,713)
(173,968)	-	(173,968)
(2,282,362)	-	(2,282,362)
(178,920)	-	(178,920)
(28,422)	-	(28,422)
(453,737)	-	(453,737)
(345,400)	-	(345,400)
(165,440)	-	(165,440)
(1,171,919)	-	(1,171,919)
(31,504)	-	(31,504)
(308)	-	(308)
-	-	-
(53,171)	-	(53,171)
(84,983)	-	(84,983)
(3,539,264)	-	(3,539,264)
-	(7,830)	(7,830)
(3,539,264)	(7,830)	(3,547,094)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Public education and recreation

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 9)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 1,062,768	\$ -	\$ 1,062,768
10,745	-	10,745
46,741	-	46,741
143,664	-	143,664
21,803	-	21,803
2,106,052	-	2,106,052
13,904	906	14,810
86,630	-	86,630
<u>3,492,307</u>	<u>906</u>	<u>3,493,213</u>
(46,957)	(6,924)	(53,881)
<u>2,553,469</u>	<u>16,525</u>	<u>2,569,994</u>
<u>\$ 2,506,512</u>	<u>\$ 9,601</u>	<u>\$ 2,516,113</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and pooled investments	\$ 1,285,574	\$ 298,226	\$ 1,583,800
Receivables:			
Property tax:			
Current year	17,898	2,080	19,978
Succeeding year	941,626	101,206	1,042,832
Income surtax	111,739	31,925	143,664
Accrued interest	571	134	705
Accounts	-	131	131
Due from other governments	48,831	3,137	51,968
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>2,406,239</u>	\$ <u>436,839</u>	\$ <u>2,843,078</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 15,810	\$ 263	\$ 16,073
Salaries and benefits payable	385,622	-	385,622
Deferred revenue:			
Succeeding year property tax	941,626	101,206	1,042,832
Other	111,739	31,925	143,664
Total liabilities	<u>1,454,797</u>	<u>133,394</u>	<u>1,588,191</u>
Fund balance:			
Reserved for:			
State grants	2,453	-	2,453
Unreserved:			
Reported in nonmajor Special			
Revenue Funds	-	229,052	229,052
Undesignated	948,989	74,393	1,023,382
Total fund balances	<u>951,442</u>	<u>303,445</u>	<u>1,254,887</u>
Total liabilities and fund balances	\$ <u>2,406,239</u>	\$ <u>436,839</u>	\$ <u>2,843,078</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Total fund balances of governmental funds	\$	1,254,887
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,045,348
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Other long-term assets, including income surtax receivable, are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		143,664
--	--	---------

The Internal Service Fund is used to charge the costs of the District's Section 125 benefits plan to the governmental funds. The net assets of the Internal Service Fund are therefore included under governmental activities.		<div style="border-top: 1px solid black; display: inline-block;">62,613</div>
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Net assets of governmental activities	\$	<div style="border-bottom: 3px double black; display: inline-block;">2,506,512</div>
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See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,113,920	\$ 170,648	\$ 1,284,568
Tuition	189,267	-	189,267
Other	176,651	140,236	316,887
Intermediate sources	1,000	-	1,000
State sources	2,434,762	158	2,434,920
Federal sources	148,240	-	148,240
Total revenues	4,063,840	311,042	4,374,882
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,257,220	-	2,257,220
Special instruction	363,029	-	363,029
Other instruction	226,511	145,366	371,877
	2,846,760	145,366	2,992,126
Support services:			
Student services	179,391	-	179,391
Instructional staff services	28,422	-	28,422
Administration services	429,887	48,160	478,047
Operation and maintenance of plant services	323,804	19,313	343,117
Transportation services	176,921	13,955	190,876
	1,138,425	81,428	1,219,853
Other expenditures:			
Facilities acquisition	-	43,585	43,585
Long term debt:			
Principal	-	7,652	7,652
Interest and fiscal charges	-	346	346
AEA flowthrough	156,856	-	156,856
	156,856	51,583	208,439
Total expenditures	4,142,041	278,377	4,420,418
Excess (deficiency) of revenues over (under) expenditures	(78,201)	32,665	(45,536)

NEW LONDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):			
Interfund transfers in	\$ -	\$ 7,998	\$ 7,998
Interfund transfers out	-	(7,998)	(7,998)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(78,201)	32,665	(45,536)
Fund balances beginning of year	<u>1,029,643</u>	<u>270,780</u>	<u>1,300,423</u>
Fund balances end of year	<u>\$ 951,442</u>	<u>\$ 303,445</u>	<u>\$ 1,254,887</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (45,536)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 80,176	
Depreciation expense	<u>(110,383)</u>	(30,207)

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. (375)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 7,652

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 38

The change in net assets of the Internal Service Fund is reported with governmental activities. 21,471

Change in net assets of governmental activities \$ (46,957)

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2004

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Assets		
Cash and cash equivalents	\$ 8,903	\$ 62,613
Accrued interest receivable	29	-
Inventories	968	-
Capital assets, net of accumulated depreciation	<u>7,997</u>	<u>-</u>
Total assets	<u>17,897</u>	<u>62,613</u>
Liabilities		
Salaries and benefits payable	<u>8,296</u>	<u>-</u>
Net Assets		
Invested in capital assets	7,997	-
Unrestricted	<u>1,604</u>	<u>62,613</u>
Total net assets	<u>\$ 9,601</u>	<u>\$ 62,613</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 71,002	\$ 368,455
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	57,234	-
Benefits	7,644	-
Supplies	93,621	-
Depreciation	1,219	-
Other	-	346,984
	<u>159,718</u>	<u>346,984</u>
Operating income (loss)	<u>(88,716)</u>	<u>21,471</u>
Non-operating revenues:		
Interest on investments	906	-
State sources	2,502	-
Federal sources	78,384	-
Total non-operating revenues	<u>81,792</u>	<u>-</u>
Change in net assets	(6,924)	21,471
Net assets beginning of year	<u>16,525</u>	<u>41,142</u>
Net assets end of year	<u>\$ 9,601</u>	<u>\$ 62,613</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 70,627	\$ -
Cash received from miscellaneous operating activities	375	368,455
Cash payments to employees for services	(64,779)	-
Cash payments to suppliers for goods or services	(85,085)	(346,984)
Net cash provided by (used in) operating activities	<u>(78,862)</u>	<u>21,471</u>
Cash flows from non-capital financing activities:		
State grants received	2,502	-
Federal grants received	70,708	-
Net cash provided by non-capital financing activities	<u>73,210</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>892</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(4,760)	21,471
Cash and cash equivalents beginning of year	<u>13,663</u>	<u>41,142</u>
Cash and cash equivalents end of year	<u>\$ 8,903</u>	<u>\$ 62,613</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (88,716)	\$ 21,471
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,219	-
Commodities used	7,676	-
Decrease in inventories	860	-
Increase in salaries and benefits payable	<u>99</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (78,862)</u>	<u>\$ 21,471</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$7,676 of federal commodities.

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2004

	Private Purpose Trust	Scholarship
Assets:		
Cash and pooled investments	\$ 51,392	
Accrued interest receivable	<u>251</u>	
Total assets		<u>51,643</u>
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$ <u>51,643</u>	

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2004

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 8,998	
Interest	<u>1,136</u>	
Total additions	<u>10,134</u>	
Deductions:		
Instruction:		
Supplies		7,171
Support services:		
Scholarships awarded		<u>2,000</u>
Total deductions		<u>9,171</u>
Change in net assets		963
Net assets beginning of year		<u>50,680</u>
Net assets end of year	\$	<u><u>51,643</u></u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

New London Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New London, Iowa, and the agricultural territory in Henry and Des Moines Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, New London Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. New London Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Henry County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Section 125 Benefits Fund is used to account for the Section 125 benefits program offered by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	1,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2004.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,216,228 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ <u>7,998</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	<u>Balance Beginning of Year, as Restated (note 9)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,701	\$ -	\$ -	\$ 47,701
Capital assets being depreciated:				
Buildings	2,100,492	12,081	-	2,112,573
Improvements other than buildings	195,338	-	-	195,338
Furniture and equipment	729,691 *	68,095	-	797,786
Total capital assets being depreciated	<u>3,025,521</u>	<u>80,176</u>	<u>-</u>	<u>3,105,697</u>
Less accumulated depreciation for:				
Buildings	1,342,794	34,079	-	1,376,873
Improvements other than buildings	185,902	7,979	-	193,881
Furniture and equipment	468,971	68,325	-	537,296
Total accumulated depreciation	<u>1,997,667</u>	<u>110,383</u>	<u>-</u>	<u>2,108,050</u>
Total capital assets being depreciated, net	<u>1,027,854</u>	<u>(30,207)</u>	<u>-</u>	<u>997,647</u>
Governmental activities capital assets, net	<u>\$ 1,075,555</u>	<u>\$ (30,207)</u>	<u>\$ -</u>	<u>\$ 1,045,348</u>

* = The beginning balance of furniture and equipment has been increased by \$4,649 to accurately reflect the cost of furniture and equipment which was not included in last years reported balance.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 105,437	\$ -	\$ -	\$ 105,437
Less accumulated depreciation	96,221	1,219	-	97,440
Business-type activities capital assets, net	<u>\$ 9,216</u>	<u>\$ (1,219)</u>	<u>\$ -</u>	<u>\$ 7,997</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 13,120

Other

2,450

Support services:

Administration

4,125

Operation and maintenance of plant services

2,797

Transportation

34,720

57,212

Unallocated depreciation

53,171

Total governmental activities depreciation expense

\$ 110,383

Business-type activities:

Food service operations

\$ 1,219

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Capital Loan Note
Balance beginning of year	\$ 7,652
Additions	-
Reductions	<u>7,652</u>
Balance end of year	\$ <u>-</u>
Due within one year	\$ <u>-</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to \$15,000. Early retirement benefits paid during the year ended June 30, 2004, totaled \$22,587. The District has no early retirement liability as of June 30, 2004.

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$137,645, \$141,464, and \$138,388 respectively, equal to the required contributions for each year.

Note 7. Risk Management

New London Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$156,856 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements separate the District's programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 9. Accounting Change (continued)

	<u>Fund</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$ <u>1,029,643</u>	\$ <u>270,780</u>	\$ 1,300,423
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$1,997,667			1,075,555
Long-term liabilities:			
Capital loan note			(7,652)
Accrued interest payable			(38)
Deferred revenue			144,039
Internal Service Fund			<u>41,142</u>
Net assets, July 1, 2003, as restated			\$ <u>2,553,469</u>

Required Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 1,756,709	\$ 71,894	\$ 1,828,603	\$ 1,680,047	\$ 148,556
Intermediate sources	1,000	-	1,000	-	1,000
State sources	2,428,465	2,502	2,430,967	2,503,406	(72,439)
Federal sources	158,534	78,384	236,918	150,000	86,918
Total receipts	4,344,708	152,780	4,497,488	4,333,453	164,035
DISBURSEMENTS:					
Instruction	3,007,636	-	3,007,636	3,867,900	860,264
Support services	1,211,656	-	1,211,656	1,312,100	100,444
Non-instructional programs	-	157,540	157,540	173,100	15,560
Other expenditures	222,408	-	222,408	358,213	135,805
Total disbursements	4,441,700	157,540	4,599,240	5,711,313	1,112,073
Excess (deficiency) of receipts over (under) disbursements	(96,992)	(4,760)	(101,752)	(1,377,860)	1,276,108
Balance beginning of year	1,680,792	13,663	1,694,455	1,445,024	249,431
Balance end of year	\$ 1,583,800	\$ 8,903	\$ 1,592,703	\$ 67,164	\$ 1,525,539

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 4,344,708	\$ 30,174	\$ 4,374,882
Expenditures	4,441,700	(21,282)	4,420,418
Net	(96,992)	51,456	(45,536)
Beginning fund balances	1,680,792	(380,369)	1,300,423
Ending fund balances	<u>\$ 1,583,800</u>	<u>\$ (328,913)</u>	<u>\$ 1,254,887</u>
	Proprietary Fund		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 152,780	\$ 14	\$ 152,794
Expenses	157,540	2,178	159,718
Net	(4,760)	(2,164)	(6,924)
Beginning net assets	13,663	2,862	16,525
Ending net assets	<u>\$ 8,903</u>	<u>\$ 698</u>	<u>\$ 9,601</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Other Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	Management	Student	Public	Physical
	Levy	Activity	Education and Recreation Levy	Plant and Equipment Levy
Assets				
Cash and pooled investments	\$ 16,946	\$ 65,079	\$ 32,810	\$ 112,135
Receivables:				
Property tax:				
Current year	1,063	-	192	825
Succeeding year	54,079	-	8,936	38,191
Income surtax	-	-	-	31,925
Accrued interest	4	44	21	65
Accounts	-	131	-	-
Due from other governments	-	-	-	-
Total assets	\$ <u>72,092</u>	\$ <u>65,254</u>	\$ <u>41,959</u>	\$ <u>183,141</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 263	\$ -	\$ -
Deferred revenue:				
Succeeding year property tax	54,079	-	8,936	38,191
Other	-	-	-	31,925
Total liabilities	<u>54,079</u>	<u>263</u>	<u>8,936</u>	<u>70,116</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>18,013</u>	<u>64,991</u>	<u>33,023</u>	<u>113,025</u>
Total liabilities and fund equity	\$ <u>72,092</u>	\$ <u>65,254</u>	\$ <u>41,959</u>	\$ <u>183,141</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 71,256	\$ 298,226
-	2,080
-	101,206
-	31,925
-	134
-	131
<u>3,137</u>	<u>3,137</u>
\$ <u>74,393</u>	\$ <u>436,839</u>
\$ -	\$ 263
-	101,206
-	31,925
<u>-</u>	<u>133,394</u>
<u>74,393</u>	<u>303,445</u>
\$ <u>74,393</u>	\$ <u>436,839</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	Special Revenue			
	Management	Student	Public	Physical
	Levy	Activity	Education and Recreation Levy	Plant and Equipment Levy
Revenues:				
Local sources:				
Local tax	\$ 59,512	\$ -	\$ 10,731	\$ 78,602
Other	121	138,912	196	628
State sources	81	-	14	63
Total revenues	59,714	138,912	10,941	79,293
Expenditures:				
Current:				
Instruction:				
Other instruction	-	145,366	-	-
Support services:				
Administration services	48,160	-	-	-
Operation and maintenance of plant services	19,313	-	-	-
Transportation services	4,955	-	-	9,000
Other expenditures:				
Facilities acquisition	-	-	-	43,585
Long term debt:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	72,428	145,366	-	52,585
Excess (deficiency) of revenues over (under) expenditures	(12,714)	(6,454)	10,941	26,708
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	(7,998)
Total other financing sources (uses)	-	-	-	(7,998)

	Capital Projects	Debt Service	Total
\$	21,803	\$ -	\$ 170,648
	379	-	140,236
	-	-	158
	<u>22,182</u>	<u>-</u>	<u>311,042</u>
	-	-	145,366
	-	-	48,160
	-	-	19,313
	-	-	13,955
	-	-	43,585
	-	7,652	7,652
	-	346	346
	<u>-</u>	<u>7,998</u>	<u>278,377</u>
	22,182	(7,998)	32,665
	-	7,998	7,998
	-	-	(7,998)
	<u>-</u>	<u>7,998</u>	<u>-</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2004

	Special Revenue			
	Management	Student	Public Education and Recreation	Physical Plant and Equipment
	Levy	Activity	Levy	Levy
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (12,714)	\$ (6,454)	\$ 10,941	\$ 18,710
Fund balances beginning of year	30,727	71,445	22,082	94,315
Fund balances end of year	<u>\$ 18,013</u>	<u>\$ 64,991</u>	<u>\$ 33,023</u>	<u>\$ 113,025</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ 22,182	\$ -	\$ 32,665
<u>52,211</u>	<u>-</u>	<u>270,780</u>
<u>\$ 74,393</u>	<u>\$ -</u>	<u>\$ 303,445</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 7,330	\$ 54,549	\$ 59,508	\$ 2,371
Class of:				
2001	-	393	-	393
2002	94	199	49	244
2003	1,444	-	-	1,444
2004	765	285	235	815
2005	437	8,297	7,794	940
2006	496	95	-	591
2007	286	130	-	416
2008	297	238	-	535
Masqued Tigers	2,835	1,543	1,559	2,819
Future Homemakers of America	315	-	-	315
Foreign Language Club	82	-	-	82
Instrumental Music	19	6,564	6,102	481
Student Council	3,331	7,214	7,699	2,846
Elementary Student Advisory Council	8,378	3,568	5,173	6,773
Yearbook	5,210	5,868	7,224	3,854
Middle School Enrichment	1,368	-	-	1,368
Middle School Student Council	1,875	8,865	8,838	1,902
Middle School Cheerleaders	239	-	-	239
High School Cheerleaders	24	996	245	775
Music and Drama	5,175	5,902	5,448	5,629
Vocal Music:				
High School	33	-	-	33
Middle School	62	-	-	62
New London Tigerettes	3,587	4,678	5,331	2,934
Interest on Investments	9,442	603	-	10,045
Boys Basketball	3,031	3,830	3,689	3,172
Sixth Grade Projects	1,280	1,500	1,235	1,545
Playground	577	-	-	577
Middle School Volleyball	177	674	642	209
Tiger Football	2,713	2,715	4,409	1,019
Tiger Wrestling	-	700	634	66
Girls Basketball	1,732	9,626	7,839	3,519
Tiger Volleyball	2,955	4,125	4,964	2,116
Tiger Softball	1,437	955	1,149	1,243
Tiger Baseball	81	2,218	2,265	34
Boys Baseball	1,435	450	609	1,276
Boys Track	922	895	906	911
SADD Club	250	-	-	250
Dragon Boat	159	-	-	159

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Entrepreneurship Club	\$ 494	\$ -	\$ 342	\$ 152
High School Boys Golf	87	386	-	473
Middle School Softball	919	140	1,006	53
High School Girls Golf	72	711	472	311
Total	\$ 71,445	\$ 138,912	\$ 145,366	\$ 64,991

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,284,568	\$ 1,239,678	\$ 1,203,633	\$ 1,112,274
Tuition	189,267	134,841	112,187	95,404
Other	316,887	225,273	208,122	340,328
Intermediate sources	1,000	-	-	-
State sources	2,434,920	2,371,829	2,298,039	2,242,553
Federal sources	148,240	142,449	136,352	136,049
Total revenues	<u>\$ 4,374,882</u>	<u>\$ 4,114,070</u>	<u>\$ 3,958,333</u>	<u>\$ 3,926,608</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,257,220	\$ 2,079,387	\$ 1,991,656	\$ 1,912,588
Special instruction	363,029	385,140	281,712	262,465
Other instruction	371,877	342,661	347,263	337,926
Support services:				
Student services	179,391	168,702	155,871	130,057
Instructional staff services	28,422	25,753	28,489	35,300
Administration services	478,047	446,886	414,168	372,018
Operation and maintenance of plant services	343,117	273,049	273,471	398,219
Transportation services	190,876	127,338	125,050	189,662
Other expenditures:				
Facilities acquisition	43,585	95,798	84,991	107,265
Long-term debt:				
Principal	7,652	7,213	6,799	6,408
Interest and fiscal charges	346	785	1,199	1,590
AEA flowthrough	156,856	160,761	159,311	157,601
Total expenditures	<u>\$ 4,420,418</u>	<u>\$ 4,113,473</u>	<u>\$ 3,869,980</u>	<u>\$ 3,911,099</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
New London Community School District:

We have audited the financial statements of New London Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 24, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New London Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about New London Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New London Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-04 and I-B-04 are material weaknesses. Prior year reportable conditions have been resolved except for items I-A-04 and I-C-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New London Community School District and other parties to whom New London Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New London Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 24, 2004

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual handles most of the duties involved in the receipts, disbursements and payroll functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternatives and implement where possible.

Conclusion – Response accepted.

- I-B-04 Board Minutes – We noted that the Board minutes and approved bills list are being signed with the Board Secretary and Board President signature stamp, which is controlled by the Board Secretary.

Recommendation – The Board President should control her own signature stamp or sign the Board minutes and approved bills list with an original signature.

Response – As of the June 21, 2004 Board meeting, we are using original signatures for approval of the Board minutes and bills list.

Conclusion – Response accepted.

- I-C-04 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – We will make sure that all future disbursements are properly supported prior to the payment being made.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004, except for deposits of \$6,527 at Henry County Bank. The Board had not approved a maximum deposit amount at this bank as of June 30, 2004.

Recommendation – A new resolution should be approved in amounts sufficient to cover anticipated deposits for all depositories.

Response – We will approve a new depository limit resolution.

Conclusion – Response accepted.

- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – Except as previously mentioned in comment I-B-04, no transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

II-K-04 National School Lunch Program – We noted that the federal meal reimbursement claims during the year were overstated by \$515 and state meal reimbursement claims were overstated by \$98 due to the inclusion of 2,451 adult lunches served in the reimbursable meals total.

Recommendation – Adult meals should not be included in the reimbursable meals claims. The District should contact the Department of Education to settle the amount overclaimed.

Response – We will make sure the reimbursable meals claimed do not include adult meals. We will also contact the Department of Education to settle the amount overclaimed.

Conclusion – Response accepted.

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